

How the Navy Can Better Serve The Small Business Industrial Base

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Last year at Gold Coast, I asked NDIA to help us understand how the Navy could improve opportunity for the small business industrial base to compete for our work. You were gracious to provide me with 16 recommendations. On the eve of NDIA's 26th Annual Navy Gold Coast next week I wanted to provide you with an update and thank NDIA for continuing to host Gold Coast. Our respective teams have worked closely to make this event next week deliver the engagement industry and government desires.

Before I get to the specifics of the 16 recommendations I'd like to bring you up to date on the efforts of Secretary Stackley and my office over the past year to better understand what we can do. You may recall that in February of 2013, the Secretary, on his initiative, began an unprecedented series of small business roundtable forums to hear directly from small business and understand the contracting policies, practices, and execution by the Navy which help or thwart small businesses in competing for our business. Unprecedented because there has never been an Assistant Secretary of the Navy (RD&A) that has done this before. Since he began 18mths ago, he has met with Small Business Owners here in DC; Pax River, MD; Jacksonville, FL; Charleston, SC; Johnstown, PA and will host a Service-connected Disabled Veterans (SDV) Small Business Roundtable next week at Gold Coast after his keynote address. These settings are informal - non attribution meetings lasting 2hrs and have provided us with specific actionable items to address small business competition.

To date there have been nine (9) specific actions the Secretary has directed or influenced as a result of these Roundtable Forums:

In Chronological order:

- 1) Developed an SBIR Guidebook to improve SBIR Phase III transitions (Aug 2014). This guidebook provides clear understanding for Program Mangers, Contracting Officers and Small Business Professionals on how to execute the SBIR program - particularly in transitioning Phase III projects through the "Valley of Death" and capturing our return on investments in these R&D projects. It was launched to our acquisition teams this week and will shortly be online at our OSBP website.
- 2) Improved Communications Memo with Small Business (June 2014). This memo addresses policy to ensure that contracting offices that publish sources sought in order to determine the opportunity for a set-aside must communicate to the public when market research cannot support this strategy.

- 3) Review of Seaport-e (June 2014). Seaport-e is the largest Multiple Award Contract (MAC) in the federal government and used exclusively by the Department of the Navy. This review took a look at how it was being used and whether or not there were artificial barriers preventing small business award holders from being able to compete. As a result of this review, policies affecting oversight, competition and regulatory compliance are being corrected.
- 4) Improved the Mentor-Protégé Program Guidebook (April 2014). This program, which promotes large and small business MP arrangements, was reviewed and found it needed clarity for program entry, MP agreement management, Navy benefits, Protégé benefits and corrections of regulatory deficiencies. This guidebook is online through the Navy OSBP website.
- 5) Rescinding the 3yr limit on service contracts (Feb 2014). The policy was immediately rescinded after hearing on the impacts from small businesses at the Roundtables. The initial guidance was found to be costly to small businesses and a cumbersome to our contracting officers.
- 6) Subcontracting Program Oversight (September 2013) OSBP established a Subcontracting Program management office to better provide oversight and execution of Department subcontracting including management of the Mentor-Protégé Program, SBIR Program and oversight on Department subcontracting expectations. The Secretary wants to clearly understand Navy influence on the small business industrial base and promote a healthy supply chain.
- 7) Top Down Review of Tripwires and Low Priced Technically Acceptable (LPTA) procedures. (August 2013). The Navy took a deep dive on how Tripwires and LPTA were being used at the various HCAs. The result was that the application of tripwires -or - higher reviews - are appropriate to ensure that costs that may exceed government estimates are factually reviewed. The concern that the Navy is not getting the right value for the contracts it is paying for is anecdotal at this time and requires an ongoing evaluation. Similarly, LPTA was determined to be an appropriate tool when used properly for clearly defined requirements. We will continue to monitor that LPTA is not being used for undefined requirements. The second assumption was that Best Value advertised RFPs were appearing to use LPTA methodology to make awards. This has not been shown to be true in the contracts we've examined. However, this will be an annual review to ensure that this practice is not occurring.
- 8) Improved Performance Metrics. (October 2013) Small Business expressed concern that the Navy was not measuring performance properly. As a result, we have piloted the Small Business Accessible Market (SBAM) dashboard and established realistic and attainable goals with the SBAM to ensure that small business market space, by industry, is getting proper competition. Results right now are favorable that this is a better approach but it will be the fall before we have the complete analysis.

- 9) Improved alignment between RD&A and SECNAV OSBP (Jan 2013). Prior to these roundtables, these offices worked in a professional but distant manner. Now we are completely in sync with understanding the full scope and value of the small business industrial base. The Secretary is passionately committed to breaking down barriers that inhibit small business because he has personally seen the overwhelming evidence that when small business is given the opportunity to compete, it provides innovative, affordable solutions to support Sailors and Marines in their missions.

Secretary Stackley has taken direct action on the common policy and or practice issues we've identified to date and we will update all on what has been done next week to improve the way the Navy does business with Small Business. Some of these will be familiar to the 16 recommendations you provided to me. We're not done and are actively looking to break down additional barriers.

Now to update you.

- 1) Optimizing Small Business Participation and Utilization - the specific recommendation asked us to consider developing a Multi-tiered supplier Visibility Process. At the prime contracts level, this is already in place through FPDS-NG. We and the public have full visibility on who the Navy and Marine Corps are contracting with and for what purpose. As we cannot limit suppliers we have to rely on the competition to keep the supply chain fluid. However, we are taking steps to expand opportunity to compete as the roundtable discussions have identified artificial barriers. Several policies have been issued by the Secretary to open up the ability for small business to compete for Navy work and there are a number of additional ongoing efforts to continue to do this.
- 2) Version control of Government Generated Formats - Specifically this asked for NAVAIR to have a central location for its current templates. A reasonable request. We've passed this on to NAVAIR for action.
- 3) New Deliverable Clause required under clause H-22 - I need more information as this clause is not in use everywhere and it would help to understand what Command is using it as the discussion addressed Time & Material contracts which we are actively reducing.
- 4) SB re-certification for Seaport-e. We had a Seaport-e review and regulatory compliance was examined. Seaport-e is a Multiple Award Schedule (MAC) and must comply with all regulations that apply to any other MAC. Implementation of the review recommendations will be accomplished by the end of this fiscal year.
- 5) Large awards and "subcontracting plans." We have established a Subcontracting program office within Navy OSBP to address the types of issues presented in this recommendation, particularly training.

- 6) New and Needed Innovative Products/Solutions cannot break into the DoD/USN Bureaucracy. The DoD Defense Business Board, published in July, essentially identifies the same problem. This is being addressed at the DoD level to improve regulatory language to improve the ability to bring disruptive technologies in faster. This link takes you to the DBB findings and recommendations.
<http://digitalpentagon.com/2014/07/31/dod-has-erected-barriers-to-innovation/>
- 7) Protecting Small Business Innovation by Reducing Poor Agency Negotiation. This is also part of the DBB report. In particular is the recommendation to default to FAR Part 12 for non-platform acquisitions <http://digitalpentagon.com/2014/07/31/dod-has-erected-barriers-to-innovation/>
- 8) Exclusive Teaming Agreements. This is directed specifically at SPAWAR and is being reviewed.
- 9) Navy needs to meet Federal WOSB contracting goals. No argument that the Navy needs to meet its goals. However, not all of the Federal goals are assigned to the Navy. The Navy is part of the DoD and DoD has the 5% goal. Due to the products and services the Navy procures, our goal for DoD is 3%. We are committed to attaining that goal and will be listing on our website where the WOSB NAICS that can be set-aside are best used within the Navy. Each of our commands have different WOSB goals based on their market-space for WOSB and several have goals that exceed the 5%. We will be listing those commands that provide the most favorable opportunity for the industries where most WOSB opportunity exists on our website.
- 10) SOW/Performance Work Statements on Small Business Opportunities Can be Too Broad. The roundtables have revealed similar observations. The Navy is looking at policies that may promote clearer articulation of what is required. In addition, we are looking to see how we can limit the length of proposals necessary for small business opportunities as most small businesses do not have an extensive proposal writing team.
- 11) Small Business Subcontracting Requirements. NDAA FY13 requires the prime to use those firms it proposed on its proposal and must have contracting officer approval to change identified subcontractors. Our Subcontracting Program Office will monitor compliance.
- 12) Barrier to Small Business - Past Performance This issue is under review. It is recognized as a significant issue for small businesses looking to compete at the prime contracting level and has come up several times in the roundtable discussions.
- 13) Achieving SDVOSB Goals in a meaningful fashion. The Navy is strongly committed to the 3% goal and overall has been making significant progress toward achieving that annually. The firm referenced the 2012 performance of SPAWAR Atlantic.

Presently, SPAWAR is at over 4% SDV. Specific commands may or may not have better opportunity than others. In FY10, there were no Commands that achieved 3% SDV. In FY13, four of our 10 major buying commands had met or exceeded the 3%. Five are on track to meet or exceed the 3% this year. Overall I expect that the Navy will meet 2% in FY14 as we identify additional markets for SDV. All products or services provided to the Navy by SDVOSB are meaningful.

14)Seaport-e Legal Loophole. This is similar to question #4 and is under review. The review implementation will be completed by the end of this fiscal year.

15)Recent Navy Shift to maximum 3yr period of performance for service contracts. As a direct result of Secretary Stackley's roundtable discussions he rescinded this action.

16)51% for the Small Business on a team NDAA FY13 now allows a small business that subcontracts to another small business to count toward the 51% Limitation on Subcontracting.

Thank you again for these recommendations. I look forward to seeing you in San Diego.